

MINUTES

BOARD OF TRUSTEES
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 602
Indianapolis, IN 46204

September 12, 1997
(Teleconference Meeting)

TRUSTEES PRESENT

Richard Doermer, Chair
Nancy Turner, Vice Chair
Dwayne Isaacs
Dr. Teresa Ghilarducci
Steven Miller

OTHERS PRESENT

Mary Beth Braitman, Ice Miller Donadio & Ryan
Garth Dickey, PERF Director
Linda Petro, Recording Secretary

ITEMS MAILED TO THE BOARD PRIOR TO MEETING

- A. Restatement of Investment Policy Draft

A quorum being present, Chairman Doermer called the meeting to order.

1. ADOPTION OF PROPOSED RESTATEMENT OF INVESTMENT POLICY

The floor was opened for any further discussion of the Policy as distributed.

Changes were recommended as follows:

TABLE OF CONTENTS

(The history of the development of the referenced topics will be eliminated for public release. However, a copy with the annotations will be maintained for future reference.)

INTRODUCTION

Annuity Savings Account

The Annuity Savings Account Legislation is ~~pending~~ **has been enacted** that would substantially enhance the members' investment direction opportunities. These accounts produce

With those suggested changes, Ms. Ghilarducci noted that the Trustees should keep in mind that this is a living document and that there are a lot of areas where more language is needed.

Following further discussion,

MOTION duly made by Nancy Turner, seconded by Steven Miller and unanimously carried to adopt the Restatement of Investment Policy with the above noted changes.

2. INVESTMENT COMMITTEE

The next meeting of the Investment Committee was earlier scheduled for September 30. The purpose of the meeting is to discuss reallocation of fixed income monies into equities and to report the progress of the distribution of Broad Agency Announcements.

Chairman Doermer noted that he and Dwayne Isaacs had originally been appointed as members of the Investment Committee. In that he had then been elected to the position of Chairman of the Board, he felt it appropriate that he be replaced. Steven Miller agreed to fill the position.

Mr. Dickey added that it might be desirable to rotate among all four non-Chairman members of the Board a role on the Investment Committee.

While we're asking Dwayne and Steve to serve this time, we think that as we finish one search and move on to another search there's sort of an episodic nature to a lot of the functions of the Investment Committee that will lend itself to some sort of regular rotation.

Mr. Miller recommended that such rotation be done by dropping only one member at a time, rather than replacing both. There was a consensus of agreement.

3. MONEY MANAGERS

Ms. Ghilarducci inquired of Mr. Dickey how many money managers would be needed as the Fund continues to move forward into the equities market. She noted that this is a big topic among pension funds and that a lot of state funds are dramatically reducing the number of their money managers. Mr. Dickey responded that he was prepared for the Fund to grow to as many as 25-30 managers. He noted that there are clearly economies of scale and that you want to make sure that your allocations to managers are sufficient that you benefit as best you can from those economies of scale. They vary between the index market and the active management market, but basically all fee schedules go out the window from \$100 million on up on an active manager. On the passive indexing, the Fund will have hundreds of millions of dollars and will benefit from economies of scale. So in terms of fee structuring, the amounts given to managers should be optimized so the Fund benefits from the lowest possible fees. In terms of a variety of managers and the burden on the Trustees and PERF staff, you have to look at the underlying structure of the portfolio. Another consideration is what the Board does with respect to emerging managers.

Mr. Dickey suggested that this be a topic of discussion at the Board meeting scheduled for November 17 & 18.

4. ADJOURNMENT

There being no further business, a Motion to adjourn was entertained, and by unanimous vote, the meeting was adjourned.

Richard T. Doermer
Chairman

H. Garth Dickey
Director